

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
IN AND FOR THE STATE OF UTAH

UINTAH COUNTY ASPHALT RIDGE TAR)
SANDS MINE, M/047/022, UINTAH)
COUNTY, UTAH -- REQUEST FOR BOARD)
CONCURRENCE ON FORM AND AMOUNT OF)
REVISED RECLAMATION SURETY.)
_____)

WEDNESDAY, OCTOBER 23, 1996, COMMENCING AT THE HOUR OF
10:00 A.M., A HEARING WAS HELD IN THE ABOVE MATTER BEFORE
THE BOARD OF OIL, GAS & MINING, AT THE ST. GEORGE
COMMISSION CHAMBERS, ST. GEORGE, UTAH.

INTERMOUNTAIN COURT REPORTERS
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REPORTED BY:
LINDA J. SMURTHWAITE, CSR, RMR

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APPEARANCES

CHAIRMAN: DAVE LAURISKI

BOARD MEMBERS: RAYMOND MURRAY
ELISE L. ERLER
JAY CHRISTENSEN
KENT STRINGHAM
JUDY LEVER
THOMAS FADDIES

STAFF MEMBERS:
VICTORIA A. BAILEY, Secretary to the Board
TONI HELDMAN, Records Librarian
THOMAS A. MITCHELL, Assistant Attorney General
PATRICK J. O'HARA, Assistant Attorney General
JAMES W. CARTER, Director, Division of Oil, Gas and Mining
RONALD J. FIRTH, Associate Director of Oil and Gas,
Division of Oil, Gas and Mining
LOWELL P. BRAXTON, Associate Director of Mining,
Division of Oil, Gas and Mining
FRANK R. MATTHEWS, Petroleum Engineer
BRAD G. HILL, Geologist
RON DANIELS, Coordinator of Minerals Research

1 ST. GEORGE, UTAH, OCTOBER 23, 1996

2 MR. LAURISKI: If everybody's here in the room
3 that's prepared to go forward in front of the Board,
4 we'll reconvene at 10:00. Is there anybody that needs
5 to have until 10:30?

6 Good morning. Welcome everyone to our October Board
7 hearing, and we have three matters on the docket today
8 on the agenda. We'll call the first matter. Uintah
9 County Asphalt Ridge Tar Sands Mine, M/047/022, Uintah
10 County, Utah, request for Board concurrence on form and
11 amount of revised reclamation surety. Mr. Gallegos, Mr.
12 Hedburg?

13 MR. GALLEGOS: Mr. Chairman, members of the Board,
14 before I begin I wanted to introduce Mr. Tom Bachtell
15 who is here to represent Uintah County, and to assist in
16 answering any questions that may come up. This matter
17 is before you due to a proposal by Uintah County to
18 increase their existing mine by approximately 10 acres.
19 The Division has reviewed the proposal submitted by
20 Uintah County and some additional information that they
21 have provided.

22 In our review we found that they have satisfied our
23 concerns dealing with the technical aspects of the mine
24 plan. The surety being proposed by Uintah county is in
25 the form of a self bond. And with that I would mention

1 that you should have received some additional
2 information besides what was in the board package. If
3 not, we need to make sure that you have a chance to
4 review that. There should have been a supplemental
5 packet that included a letter addressed to Mr. Hedburg,
6 some financial figures, a self bonding sheet and also a
7 resolution by the county. Is that in your possession?
8 With respect to the self bond, Wayne Hedburg has worked
9 with Steve Snyder who is an auditor in the oil and gas
10 division. They have been reviewing statements provided
11 by Uintah County. There may be some confusion due to
12 the supplemental mailing, and I would ask Wayne to
13 address any questions you may have on those figures.
14 The total amount of surety being proposed for the
15 operation at this time is \$146,400, in the year 2001.

16 With that, I would be happy to address any questions
17 you may have.

18 MR. LAURISKI: I would think the only question that
19 would come back again is whether or not the Board felt
20 as though the county self bond as opposed to a private
21 enterprise, that has to post hard surety for this. And
22 we've had discussions on this several times. We've
23 never reached closure really relative to the government
24 entity being able to self bond. We have been advised
25 that we have the authority to do either, to require hard

1 surety or allow self bonding. So I'd open the floor for
2 discussion by the Board members at this point.

3 MS. LEVER: Let me ask one question. Mr. Hedburg, I
4 noticed in the information that we talked about a little
5 bit, is that the difference -- part of being able to
6 self bond contemplates the ability to meet financial
7 criteria, and their proposal was sent down with figures
8 that appear to be different than your figures, with the
9 \$10 million tangible networth. With the revised
10 figures, do they still meet the criteria?

11 MR. HEADBURG: Yes. As you've pointed out, there
12 were two different self bonding qualification sheets
13 that were in, I believe, in your supplemental mailing
14 that may have been confusing. The initial one that we
15 received for the county gave a net tangible worth of \$40
16 million. Steve Snyder, our auditor, on very short
17 notice if I might add, went above and beyond to review
18 these numbers at the last minute, and discovered that
19 there were some questionable figures with regard to
20 these, this value. And he spoke extensively with the
21 county auditor and an attorney other than Mr. Bachtell
22 that was representing, also representing Uintah County,
23 late last week, I believe it was Friday, and they agreed
24 that some of the figures that were initially included in
25 the \$40 million figure were not necessarily funds that

1 the county could do willingly with them as they please.

2 In other words, there may have been strings attached
3 so they reevaluated that and approximately 30 million of
4 that \$40 million figure had some restrictions on them
5 and didn't really feel comfortable including them in
6 that total figure. So the figures were revised, and as
7 you may have noted on the sheet, they still do meet the
8 minimum \$10 million tangible net worth figure. Their
9 total liabilities to net worth far exceeds the
10 requirement there. I should say it's less than the
11 requirement. The current assets, the current
12 liabilities, is way over the requirement. So in terms
13 of the county's ability to be able to meet the self
14 bonding qualifications criteria that we applied to other
15 companies and to industry, the Division feels very
16 comfortable with these figures.

17 I might point out, as Steve indicated to me, that
18 this \$10,639,000 figure is actually cash in the bank,
19 the county has. So it's hard assets. And also, for
20 what it's worth, the county has an ability that
21 accompanies that, and that's the ability and power to
22 tax in the future to increase revenue basis. So I guess
23 the Division's position would be on this, that we have
24 no reason not to support this self bonding request from
25 the county. But it is obviously a Board decision.

1 MS. LEVER: In reviewing the packet I saw, and I
2 see, the reclamation contract that has been signed and
3 executed, is my understanding correct that we were
4 really upping the 15,000, approximately \$15,000 for the
5 additional 10 acres?

6 MR. HEADBURG: Yes.

7 MS. LEVER: So we're talking about an increment of
8 15 in that, the rest of that, and approximately 130
9 would have been generated under the prior self bonding
10 arrangement that was approved?

11 MR. GALLEGOS: That's correct.

12 MS. LEVER: But I thought or expected that in the
13 packet today we would see a self bond agreement executed
14 by the county, that wasn't in my packet; is that forth
15 coming?

16 MR. HEADBURG: In terms of an actual --

17 MS. LEVER: Executed document of this self bonding
18 agreement, or did you expect only the proposal in
19 relying on the contract?

20 MR. HEADBURG: I believe at this point we were
21 proposing to rely on the contract and the additional
22 financial information, but we can definitely pursue
23 that. I believe there's a self bonding indemnity
24 agreement we have used.

25 MS. LEVER: I think there is another form. Frankly,

1 my opinion is that they're worth uninsured promises.
2 And I mean, as you are aware, I have a predisposition
3 that self bonding agreements are only worth the paper
4 they're written on. And so having two doesn't give me
5 any more comfort than one. I wanted to know if I was
6 expecting something that you're not expecting?

7 MR. HEADBURG: I believe we had anticipated -- we
8 didn't anticipate that.

9 MS. LEVER: The reclamation contract does clearly
10 obligate the county to undertake the reclamation
11 according to the plan to do it, which is what -- as the
12 Board knows, I'm concerned with self bonding agreements
13 in the fact they are only uninsured secured promises.
14 However, I was party to some negotiations and if I
15 remember correctly, this was a preexisting pit and that
16 one of the considerations we perceived as a quid pro quo
17 going into it is that the county assumed responsibility
18 for the existing mines that perhaps under the old law
19 they may not have had to assume responsibility for.
20 There's some places where we have to segregate that
21 prior activity. And that we felt comfortable that was a
22 quid pro quo to justify self bonding in light of the
23 county's on-going self interest in reclaiming the
24 property. Is my recollection -- I mean, is that as you
25 remember it?

1 MR. HEADBURG: I personally can't recall that
2 specific discussion, Judy. That may be possible.

3 MS. LEVER: Is it also my understanding this is
4 expected to be the last expansion under county
5 ownership?

6 MR. GALLEGOS: If I can add some more information.
7 I guess some of you are aware of, and it may not be in
8 the Board package, is that this proposal, this amendment
9 will probably be superseded by the large mine plan
10 that's currently under review. That has been submitted
11 by the Bonaventure Resource Corporation. And it may be
12 a month, it may be several months until the Bonaventure
13 plan supersedes, but there will be, I guess, another
14 expansion. But that will be by a separate operator.
15 The county has an agreement with Bonaventure to
16 continued asphalt production after they go into
17 operation.

18 MR. LAURISKI: Will they then assume the bonding
19 requirements?

20 MR. GALLEGOS: Yes.

21 MR. CHRISTENSEN: Then will this bond that we're
22 talking about here remain in place so it will be double
23 coverage so to speak?

24 MR. BACHTELL: Yes.

25 MR. HEADBURG: I believe that the area that is being

1 proposed under this amendment, which is approximately 10
2 acres, is an area that will also subsequently be mined
3 by Bonaventure resources, so it will be this additional
4 10 acres that would be covered under the bond by
5 Bonaventure Resources. I don't believe that it's the
6 intent of Bonaventure to bond for the total disturbance
7 that the county has already created out there. Just for
8 that clarity.

9 MS. LEVER: In terms -- I guess that influences my
10 feeling about this bond, is that if this -- if I view
11 this only as a few thousand dollar extension for the 10
12 acres that is there, with the idea that any further
13 activity undertaken by Bonaventure or any other joint
14 operator or joint venturer should have no expectation
15 that they will reap the same advantages that the county
16 has, and the county will stay obligations under the
17 reclamation contract until the reclamation is done.
18 Whether that's done by joint operator, that's fine.
19 But, that it needs to remain -- I would feel comfortable
20 with moving approval of the bond based on that permit.
21 I think I would like not to create expectation by any
22 other joint venture operator that they can come back in
23 for the expanded operation under the guise of the county
24 operation and go forward with self bonding.

25 MR. FADDIES: What's before the board today is to

1 increase the amount of the surety on this particular
2 property, the amount of about 10 percent. What may
3 happen next month, next year, next geological era has no
4 bearing on today. I see the point you're trying to make
5 Ms. Lever, but this is a bad day to debate hypothetical
6 mines in the future years. The issue is not before us
7 as to whether the Board can self bond or not, it's
8 whether we're going to approve this particular request.
9 I know you and I will have more private arguments over
10 this, but --

11 MS. LEVER: That will be fine.

12 MR. BACHTELL: May I add, I can speak for
13 Bonaventure Resources Corporation since I am the
14 president, in that we have no expectation of
15 bootstrapping our bond under this bond whatsoever. And
16 there will be both bonds in place until the end of
17 operations. Bonaventure will help the county reclaim
18 that large pit that has been there since the early
19 1940's, with our spent sand. So we'll present that at a
20 later date, but that is the way we're progressing.

21 MR. LAURISKI: What's the Board's pleasure?

22 MR. FADDIES: Mr. Chairman, I move approval for the
23 amount \$146,400 self bond surety for Uintah County.

24 MR. STRINGHAM: Second.

25 MR. LAURISKI: Motion to approve the request to

1 increase the bond. I have a second to that motion. Mr.
2 O'Hara, do you have any question on this motion?

3 MR. O'HARA: Just a comment as it relates to the
4 form. As opposed to the policy issue, I note in the
5 package there's a resolution whereby the county
6 commissioners are reporting to designate the road
7 supervisor as their agent for certain limited purposes.
8 I think particularly since this is a self bond, to be
9 absolutely sure the county itself is bound by this
10 agreement, I think that in terms of the form we would
11 recommend the Board condition the approval on the county
12 commission, at a legally noticed public hearing, vote to
13 approve this liability as a county liability. I note
14 the resolution report purports to bind the county
15 commission, but trying to bind the county itself --

16 MR. FADDIES: Excellent point. I amend my motion to
17 include that.

18 MR. LAURISKI: Very good. You also support that?

19 MR. STRINGHAM: Yes.

20 MR. LAURISKI: Okay. Any further question on the
21 motion? All those in favor? (Aye). Any opposed?
22 None. Mr. O'Hara, would you prepare that order --

23 MR. O'HARA: I will --

24 MR. LAURISKI: -- for the Board. Thank you.

25 (Whereupon the matter was concluded.)

1 STATE OF UTAH)

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3 COUNTY OF SALT LAKE)

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6 I, Linda J. Smurthwaite, Certified Shorthand
7 Reporter, Registered Professional Reporter, and notary
8 public within and for the county of Salt Lake, State of
9 Utah do hereby certify:

10 That the foregoing proceedings were taken before me
11 at the time and place set forth herein, and was taken
12 down by me in shorthand and thereafter transcribed into
13 typewriting under my direction and supervision.

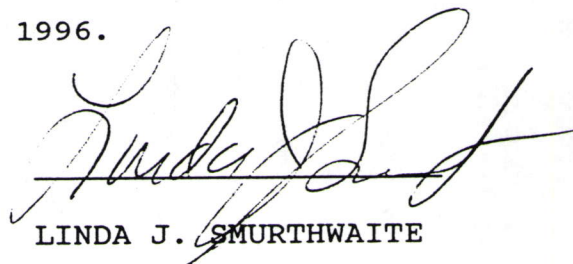
14 That the foregoing pages contain a true and correct
15 transcription of my said shorthand notes so taken.

16 In Witness Whereof, I have subscribed my name this
17 3rd day of November, 1996.

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LINDA J. SMURTHWAITE

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CERTIFIED SHORTHAND REPORTER

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